GENSTAR

Annual Report 1973

CONTENTS

Annual Meeting

The Annual General Meeting of Genstar Limited will be held on Tuesday, April 30th 1974 at 2:30 p.m., in the Auditorium, Mezzanine 2 of The Royal Bank of Canada Building, One Place Ville Marie, Montreal, Canada.

Version française

Les actionnaires qui désirent recevoir ce rapport en français sont priés d'en faire la demande au Secrétaire de la Société.

FINANCIAL HIGHLIGHTS

	1973	1972
Revenues	**$511,794,000**	$369,791,000
Funds from Operations	**45,605,000**	31,211,000
Depreciation, Depletion and Amortization	**20,028,000**	16,260,000
Income before Extraordinary Item	**25,029,000**	15,119,000
Net Income	**25,029,000**	14,432,000
Dividends on Common Shares	**8,143,000**	5,863,000
— per Share	**0.80**	0.65
Return on Common Shareholders' Equity	**14.2%**	10.6%

Income per Common Share	1973	1972	
	Net Income	*Before extraordinary Item*	*Net Income*
Canadian Method			
Basic	**$2.52**	$1.66	$1.58
Fully Diluted	**2.18**	1.40	1.34
United States Method			
Primary	**2.51**	1.65	1.57
Fully Diluted	**2.24**	1.43	1.36

Directors

*CHARLES de BAR
Deputy Chairman of the Board
Genstar Limited

HENRY BLAISE
Counsellor
Société Générale de Belgique

YVES BOËL
Managing Director, Sofina S.A.

FRANK S. CAPON
Consultant

*F. CAMPBELL COPE, Q.C.
Partner, Ogilvy, Cope, Porteous, Hansard, Marler, Montgomery & Renault

CHARLES EVRARD
Managing Director
Mercantile Marine Engineering & Graving Docks Company

*AUGUST A. FRANCK
Chairman of the Board and
Chief Executive Officer
Genstar Limited

RENÉ LAMY
Director, Société Générale de Belgique

*HERBERT H. LANK
Industrialist

*ANGUS A. MacNAUGHTON
President, Genstar Limited

JAMES P. McALLISTER
President, McAllister Bros. Inc.

*W. EARLE McLAUGHLIN
Chairman and President,
The Royal Bank of Canada

JOHN D. MILNE
Director, The Associated Portland Cement Manufacturers Limited

MAX NOKIN
Governor, Société Générale de Belgique

SAUL SIMKIN
Chairman of the Board
BACM Industries Limited

ROSS J. TURNER
President
Genstar Western Limited

WILLIAM S. ZIEGLER
Consultant

*Members of the Executive Committee

Officers

Senior Officers

AUGUST A. FRANCK
Chairman of the Board and
Chief Executive Officer

CHARLES de BAR
Deputy Chairman of the Board

ANGUS A. MacNAUGHTON
President

Genstar Western Limited

ROSS J. TURNER
President

EDWARD JUDD
Vice-President

Corporate Officers

GEORGE F. MICHALS
Vice-President

GEORGE W. RUTLEDGE
Vice-President and Treasurer

LORIMER E. WHITWORTH
Vice-President

A. JAMES UNSWORTH
General Counsel

E. CLAUDE MOLLEUR
Secretary

RICHARD D. PATERSON
Comptroller

KENNETH L. MERSON
Assistant Comptroller

Counsel

OGILVY, COPE, PORTEOUS, HANSARD, MARLER, MONTGOMERY & RENAULT
Montreal, Canada

SHEARMAN & STERLING
New York, U.S.A.

Auditors

COOPERS & LYBRAND
Montreal, Canada

Transfer Agents & Registrars

MONTREAL TRUST COMPANY — TRANSFER AGENT Saint John, Montreal, Toronto, Winnipeg, Edmonton and Vancouver, Canada

THE ROYAL TRUST COMPANY — REGISTRAR Saint John, Montreal, Toronto, Winnipeg, Edmonton and Vancouver, Canada

MORGAN GUARANTY TRUST COMPANY OF NEW YORK — CO-TRANSFER AGENT
New York, U.S.A.

THE FIRST NATIONAL CITY BANK — CO-REGISTRAR New York, U.S.A.

Stock Exchanges

Montreal, Toronto, Calgary and Vancouver Stock Exchanges in Canada
New York Stock Exchange in the United States
Antwerp and Brussels Bourses in Belgium

Corporate Office

One Place Ville Marie,
Montreal, Canada

Genstar Western Limited

1111 West Hastings Street,
Vancouver, Canada

From right to left: *August A. Franck, Chairman of the Board and Chief Executive Officer; Charles de Bar, Deputy Chairman of the Board; Angus A. MacNaughton, President; Ross J. Turner, President, Genstar Western.*

REPORT OF THE DIRECTORS

Genstar achieved a return of 14.2 per cent on common shareholders' equity for 1973, against 11.1 per cent on income before extraordinary item and 10.6 per cent on net income during 1972. This increase reflects the general strength of the North American economy during 1973 and provides a more realistic return on invested capital and shareholders' equity. Revenues for the year were $512 million compared to $370 million for 1972. Income per common share for 1973 amounted to $2.52 compared to a restated $1.58 for 1972, an increase of 59 per cent.

A dividend of 35 cents per common share was paid in June 1973, and a further dividend of 45 cents was paid in December, a total of 80 cents compared to 65 cents for 1972.

Operations

The economic climate in the regions of Canada and the United States where the company operates remained buoyant throughout the year giving strong support to the company's building materials activities. Strength in the forest products industry and contracts to transport supplies and equipment along the Pacific coast and to the Canadian North resulted in increased revenues for our marine division. The chemical and fertilizer, real estate, venture capital and import-export divisions benefited as well from a surge in the North American economy during 1973, resulting in improved earnings for all divisions of the company.

Significant Events

Genstar acquired a majority of the outstanding shares of Miron Company Ltd. of Montreal in late 1973, through exchange offers of convertible preferred voting shares. Miron is a major supplier of cement and building materials with large construction operations in the Province of Quebec. The acquisition of Miron gives Genstar a solid base in the Eastern Canadian market for cement and building materials. The assets and liabilities of Miron have been consolidated as of December 31, 1973. Results of operations will be consolidated from January 1, 1974.

The accounts of Seaspan International Ltd. have been consolidated as of April 1, 1973, the effective date of acquisition of the remaining 50 per cent interest in this company. Seaspan, with a fleet of over 40 tugs and 240 barges, is one of the most diversified towing and shipbuilding companies on the Pacific coast of the Americas.

Genstar's acquisition of Broadmoor Homes, Inc., formerly Richard B. Smith, Inc., of Tustin, California, was completed on March 31, 1973. Broadmoor is a builder of quality homes in Orange County.

A term bank loan of $12 million was negotiated during the year and 1,493,000 common shares were issued upon conversion of $20,776,000 of 6½ per cent debentures.

Labour Environment

With nearly 100 collective labour agreements covering the company's more than 10,000 employees, negotiations are under way on a continuing basis at company operations with most contracts covering a two-year period. The company believes its labour relations to be good and experienced work stoppages at only two locations during 1973.

Outlook

Canada's unique energy and resource position offers outstanding opportunities for the future. Despite some labour uncertainties and possible delays in obtaining supplies, the general outlook for 1974 is encouraging. Opportunities for improved earnings in many of the company's operations are promising.

GENSTAR LIMITED

The Northern Frontier: Resource development will likely provide a significant stimulus to growth in Canada over the next decade. Major developments will take place in the oil, gas, mining and hydro-electric power industries.

Increasing interest in northern development will provide substantial opportunities for Genstar divisions through direct involvement as well as from related activities.

Development of the Athabasca Tar Sands, proposed construction of the Mackenzie Valley gas pipeline, major hydro-electric projects in Manitoba, and possibly British Columbia, Arctic marine transportation requirements, northern housing and land development will all provide opportunities for our construction, cement, building materials, housing and marine divisions.

The James Bay power project in Northern Quebec, the 1976 Olympics, and subway and general construction in the Montreal area will provide opportunities for the company's Eastern cement, building materials and construction operations.

Objectives
It is the company's intention to become a major factor in each of the industries in which it operates and to expand into other areas which can provide a diversified earnings base with respect to both industry and geographic location. The acquisition of Miron — making Genstar the second largest cement producer in Canada — provides the company with strong representation in Eastern Canada. Other activities of interest to the company in this area include the house building market. Further expansion of present and related operations in California is also being considered. Investigation of a possible investment in the financial services field is continuing.

Board of Directors
Mr. August A. Franck, president of Genstar from 1964 to 1973, was appointed Chairman and Chief Executive Officer. Mr. Charles de Bar was appointed Deputy Chairman of the Board, and Mr. Angus A. MacNaughton was appointed President.

Mr. Ross J. Turner, president of Genstar Western, and Mr. Frank S. Capon, consultant, were elected to the Board in April 1973.

We would like to express our sincere gratitude to Mr. Edward C. Wood, who retired in April 1973 after seven years as a Director and Chairman of the Board. His advice and wise counsel over the years have served the company well.

We would also like to express our deep appreciation to Mr. W. Leslie Forster, C.B.E., who retired after 18 years as a director of the company. Mr. Forster was Executive Vice President of the company from 1955 to 1960 and President from 1960 to 1964. His contribution to Genstar has been a most valuable one.

The achievements of 1973 were a result of the outstanding efforts, enthusiasm and effectiveness of the more than 10,000 individuals in all Genstar divisions. The Board of Directors commends and appreciates their contribution.

Review of Operations
In the following pages Genstar operations are reviewed in detail by industrial category.

On Behalf of the Board

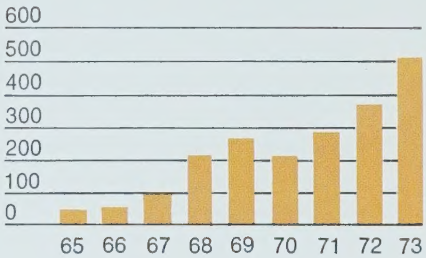
Franck

A. A. Franck
Chairman and
Chief Executive Officer

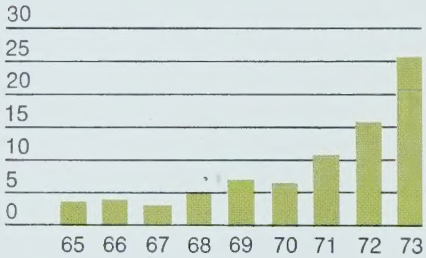
Montreal, Canada
February 20, 1974

FINANCIAL REVIEW

Revenues
(millions of dollars)



Income Before Extraordinary Item (millions of dollars)



SUMMARY OF OPERATIONS
(thousands of dollars)

Revenues . . . .
Depreciation, depletion and amortization . . . . .
Interest . . . .
Provision for income taxes . . . .
Income before extraordinary item . . . .
Net income . . . .

PER COMMON SHARE

Income before extraordinary item . . . .
Net income . . . .
Dividends . . . .
Funds from operations . . . .
Market range . . . .

RETURN ON COMMON SHAREHOLDERS' EQUITY

Income before extraordinary item . . . .
Net income . . . .

OTHER STATISTICS
(thousands except employees)

Dividends . . . .
Working capital . . . .
Properties, plants and equipment . . . .
Long-term debt . . . .
Common shareholders' equity . . . .
Common shares outstanding — average . . . . .
— actual . . . . . .
Number of employees . . . .

GENSTAR LIMITED

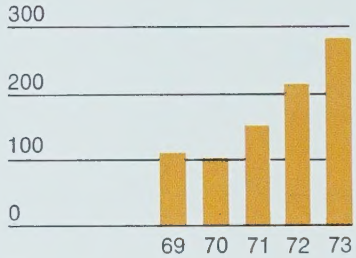
1973	1972	1971	1970	1969	1968	1967	1966	1965
$511,794	$369,791	$280,587	$210,745	$253,326	$208,582	$ 98,602	$ 51,965	$ 42,832
20,028	16,260	11,113	10,501	10,222	8,019	5,588	4,919	4,374
12,487	10,103	7,059	7,341	6,893	5,273	2,439	2,055	1,686
23,000	13,462	9,508	5,374	8,997	6,012	2,433	3,203	2,191
25,029	15,119	10,635	6,408	6,734	4,998	2,881	3,770	3,290
25,029	14,432	10,635	5,843	8,651	5,054	3,903	4,209	3,319
$ 2.52	$ 1.66	$ 1.19	$ .75	$ .90	$ .74	$ .45	$ .60	$ .52
2.52	1.58	1.19	.68	1.16	.75	.61	.67	.52
.80	.65	.60	.40	.70	.65	.65	.65	.60
4.60	3.42	2.50	2.20	2.84	2.46	1.67	1.94	1.64
14-19½	12¾-18	10-13½	7½-13½	10½-17⅜	13-18¼	10⅛-16⅞	10¼-13	11¾-14
14.2%	11.1%	8.4%	5.3%	6.4%	5.7%	3.6%	4.9%	4.3%
14.2%	10.6%	8.4%	4.9%	8.3%	5.8%	4.9%	5.5%	4.4%
$ 8,143	$ 5,863	$ 5,312	$ 3,523	$ 4,915	$ 4,180	$ 3,165	$ 3,056	$ 2,821
65,963	50,956	18,304	20,790	40,084	26,961	3,272	3,036	3,806
403,636	257,638	253,674	169,267	180,996	163,188	104,064	100,701	92,731
109,086	103,596	85,492	50,301	58,549	62,946	28,506	26,515	28,447
176,264	136,290	126,824	119,880	104,640	86,904	80,158	77,013	75,718
9,921	9,124	8,961	8,549	7,452	6,720	6,415	6,325	6,325
10,813	9,176	9,096	8,940	7,914	6,949	6,490	6,325	6,325
10,040	7,270	6,265	4,310	5,100	4,600	1,900	1,900	1,800

The above figures for 1972 and prior years have been restated to reflect the acquisition in 1973 of a subsidiary accounted for on the pooling of interests basis.

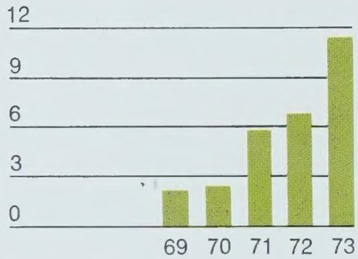
The following pages contain comments, results of operations, equity and return on this equity for each industrial category. Income for each category before extraordinary item has been determined after allocating interest and administrative expenses on the basis of the proportion of equity employed by each category. Equity of each category has been determined using net assets employed at the end of each year less a pro rata allocation of debt except for the operations of Miron Company Ltd., acquired effective December 31, 1973, which has been excluded in the determination of equity as the results of its operations are not included in 1973.

BUILDING MATERIALS, CONSTRUCTION, LAND DEVELOPMENT AND HOUSING

Revenues
(millions of dollars)



Income Before Extraordinary Item (millions of dollars)



A high level of construction activity throughout Western Canada during 1973 provided strong support to all Genstar divisions in the building materials, construction, land development and housing industries. The dollar value of construction contract awards in Western Canada was 22 per cent higher than 1972 and single family housing starts increased 13 per cent.

Building Materials

Sales of building materials, including ready-mix concrete, aggregates, concrete block and pipe, gypsum wallboard, precast and prestressed concrete components were well ahead of 1972 sales in Western Canada.

Construction was started during the year on a new concrete block plant in Winnipeg to replace an older plant. Crushing facilities at pits in Calgary and Edmonton were upgraded and a ready-mix operation in Victoria, B.C. was moved to a new location in conjunction with the construction of a new block manufacturing plant — the first such company plant on Vancouver Island. This division added two new barges to its present fleet of five tugs and 14 barges used for the transportation of aggregates.

The new $9.4 million aggregate processing plant which the company is developing at Producers Pit near Victoria, B.C., will have a capacity of three million tons per year and is scheduled to be in operation by mid-1975. This plant will replace production capacity at two pits located on the mainland of British Columbia which will be developed into housing subdivisions by the company's land and housing division.

Sales of "Truroc" gypsum wallboard from company plants in Saskatchewan and Alberta registered considerable improvement due generally to increased construction of single-family dwellings and commercial buildings.

In June, the gypsum products division announced the construction of a $5 million wallboard plant in Vancouver to be completed late in 1974. This new

Left — *Precast core floor being lifted into place on construction site.*

Right — *Precast and prestressed concrete members used in stadium construction.*

plant will provide the company with the opportunity to become a significant factor in the growing British Columbia market.

During the latter part of the year the gypsum division experienced difficulty in obtaining some raw materials, particularly paper, which was in short supply. While some material shortages and cost increases will most likely continue during 1974, projections indicate a steadily rising demand for gypsum products.

There was strong demand for the company's precast and prestressed concrete products in all market areas. The operations of a Vancouver precast manufacturer acquired in 1972 are now fully integrated and results showed improvement in 1973.

The company is involved in a project to manufacture and promote the use of precast railway ties which represent a significant future market in North America.

Construction
The company's Western construction division was involved in four major projects and three joint ventures in Northern Manitoba during 1973. All these projects are part of Manitoba Hydro's plan to develop the hydro-electric power potential — estimated at over 7,000,000 kilowatts — of the Nelson River system in the northern part of the Province.

The first step in this development consisted of a number of projects to improve the flow of the Nelson River by excavating a series of channels. On the Ominawin Channel project, for instance, company crews moved 9,000,000 cubic yards of earth and rock.

The second part of the development involves a $31 million joint venture sponsored by the company for construction of a combination control dam and generating station at Jenpeg, approximately 320 miles north of Winnipeg. This project is scheduled for completion in May 1976.

The company also has contracts for work on the Kiskitto Lake dam and dike system and is a partner in joint ventures totalling $134 million for development of hydro-electric power facilities at Long Spruce and South Bay in Northern Manitoba.

When the current program is completed, approximately 40 per cent of the hydro-electric power potential of the Nelson River system will have been developed and work crews will have moved close to 100,000,000 cubic yards of earth and rock in excavation and filling operations. The company plans to participate in other major projects in this development.

Earnings from the city and provincial services section of the construction division showed an increase over 1972. The division provides extensive municipal services in Winnipeg, Calgary, Edmonton and Vancouver. A substantial portion of this work is for the company's land and housing developments.

Land Development and Housing

Genstar is one of the largest house builders in Canada. During 1973 the company sold nearly 2,500 homes through its 25 branches in Western Canada. Demand was strong in all market areas, particularly Winnipeg, Calgary, Edmonton, Lethbridge, Red Deer and Vancouver.

Housing requirements for resource development centres in Northern Canada will provide continuing opportunities over the next decade. Since 1966 the company has built over 1,000 homes in Fort McMurray, Alberta, already established as the municipal base and supply centre for the development of the Athabasca Tar Sands. With the increasing demand for housing in Fort McMurray, the company established a new branch office there early this year. In 1973 Genstar also built houses in Pine Point on Great Slave Lake, another service centre municipality for resource development projects in the Northwest Territories.

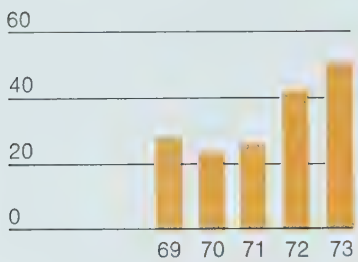
The land development divisions, in addition to providing serviced lots for the company's own house building operations, also provided over 1,800 fully serviced lots, mainly for single family dwellings, to the house building industry at large.

	1973	1972	1971	1970	1969
		(thousands of dollars)			
REVENUES	**277,782**	215,985	151,188	100,358	104,904
COSTS AND EXPENSES					
Cost of sales	**212,879**	163,833	115,018	73,478	79,099
Selling, general and administrative	**21,719**	20,193	13,050	11,354	8,743
Depreciation, depletion and amortization	**11,938**	10,566	6,634	5,375	4,864
Interest on long-term debt	**5,411**	3,480	2,242	1,738	1,467
Other interest	**2,343**	2,991	1,736	2,448	1,289
	254,290	201,063	138,680	94,393	95,462
INCOME BEFORE THE FOLLOWING	**23,492**	14,922	12,508	5,965	9,442
Provision for income taxes	**11,909**	7,774	6,477	3,045	5,206
Minority interest	**31**	52	34	236	2,031
	11,940	7,826	6,511	3,281	7,237
INCOME BEFORE EXTRAORDINARY ITEM	**$ 11,552**	$ 7,096	$ 5,997	$ 2,684	$ 2,205
EQUITY	**$ 69,807**	$ 54,500	$ 49,554	$ 39,972	$ 22,064
RETURN ON EQUITY	**16.5%**	13.0%	12.1%	7.2%	10.0%

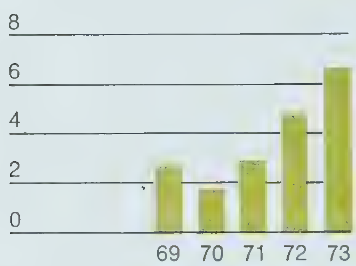
The company's investment was substantially increased in 1970 and the return on equity has been determined assuming the total investment was held for the full year.

CEMENT

Revenues
(millions of dollars)



Income Before Extraordinary Item (millions of dollars)



Cement sales for 1973 were $49.9 million, an increase of 17 per cent over 1972. The improvement results mainly from the high level of construction activity in Western Canada, the company's main market area, where there was a 22 per cent increase in construction contract awards over 1972, exceeding the national average by seven per cent.

Higher sales volumes resulted in greater utilization of capacity at all plants, particularly at Edmonton and Bamberton. Exceptionally high demand in Alberta was met partly through shipments from other company plants in Manitoba and Saskatchewan.

The economies realized through larger sales volumes tended to offset increased costs of fuel supplies and labour. Two-year labour agreements covering all plants were negotiated during 1973.

Work continued on improvements to plant facilities during the year. A computerized central control system was installed in the Edmonton plant for use in 1974, and a series of modifications were made at the Bamberton plant to improve fuel efficiency and increase production. Work is under way on a project to winterize the company's Winnipeg plant to allow production operations to continue over a longer period of time each year, increasing annual output to supply both domestic and export markets.

Top — *Aerial view of the company's Winnipeg cement plant.*

Lower left — *Cement leaving plant for delivery to customer.*

Lower right — *The company's recently acquired Montreal cement plant.*

Price increases for domestic sales went into effect at the beginning of 1974, and export prices were also increased early in 1974 after cement products were exempted from United States price controls.

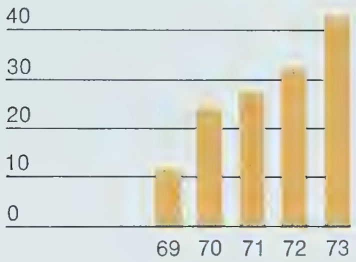
Over one million tons were added to the company's cement production capacity with the acquisition of Miron Company Ltd. of Montreal at the end of the fourth quarter of 1973.

Because of an expected continuation of construction activity at or near 1973 levels in Western Canada, and steadily increasing construction activity in Eastern Canada, particularly in the Province of Quebec, the outlook for the company's cement operations remains favourable for 1974.

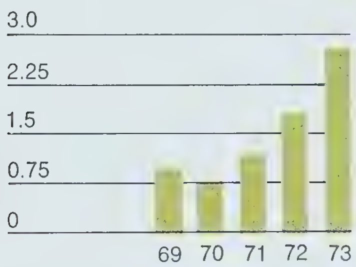
	1973	1972	1971	1970	1969
		(thousands of dollars)			
REVENUES	**49,927**	42,808	26,009	23,851	28,024
COSTS AND EXPENSES					
Cost of sales	**29,357**	25,569	15,130	14,900	17,005
Selling, general and administrative	**3,656**	3,444	2,430	2,416	2,299
Depreciation, depletion and amortization	**3,106**	3,059	2,019	2,119	1,996
Interest on long-term debt	**900**	1,229	441	571	775
Other interest	**308**	319	348	244	134
	37,327	33,620	20,368	20,250	22,209
INCOME BEFORE THE FOLLOWING	**12,600**	9,188	5,641	3,601	5,815
Provision for income taxes	**6,048**	4,484	2,769	1,881	3,037
INCOME BEFORE EXTRAORDINARY ITEM	**$ 6,552**	$ 4,704	$ 2,872	$ 1,720	$ 2,778
EQUITY	**$ 33,076**	$ 25,169	$ 20,787	$ 24,389	$ 28,475
RETURN ON EQUITY	**19.8%**	18.7%	13.8%	7.1%	9.8%

MARINE

Revenues
(millions of dollars)



Income Before Extraordinary Item (millions of dollars)



Favourable weather and high equipment utilization in all divisions resulted in increased revenues for the company's Pacific Coast marine operations, while an increase in salvage work made a positive contribution to earnings for the company's Eastern marine operations.

Western Canada

Increased revenues from transportation of forest products reflect the strong demand for lumber and pulp and paper in the United States and Canada during 1973.

Revenues from general towing operations reached record levels due to the high demand for limerock in the Pacific Coast area, salt from Mexico, general cargo and increased ship docking services in B.C. ports. Also added to revenues was income from a barge and equipment towing project to Tuktoyaktuk in the Mackenzie River Delta on the Beaufort Sea.

Profitability of self-propelled rail barge operations was adversely affected by a three-month strike during 1973.

Early in the year the division announced its participation in a new company called Arctic Transportation Ltd., established to provide specialized marine transportation services to the Western Arctic. Because of the unusual demands associated with this venture, the company was formed as a consortium of four marine companies.

Top left — *Tug and barge transportation to Tuktoyaktuk on the Beaufort Sea.*

Top right — *Tugs of the company's Eastern Marine Division help free a grounded freighter.*

Bottom — *Self-propelled barges ferry rail cars between Vancouver and Victoria in British Columbia.*

Vessels completed by the company's West Coast shipyard during 1973 included seven barges, a 175 foot ferryboat, two 4,000 ton gravel barges for the company's building materials operations, an environmental laboratory barge and a 25,000 barrel oil barge. Two tugs, of 5,750 and 1,800 HP, for the company's own operations, are under construction and will be completed and put into service in 1974. The volume of repair work performed during the year increased more than 50 per cent over 1972 and this brought total employment in the shipyard to an all time high. Based on the current order backlog, volume of shipbuilding and repair work should exceed 1973.

While the outcome of labour negotiations in the West Coast forest products industry could have some effect on marine operations in 1974, continuing strong demand for products of B.C. resource industries makes the general outlook encouraging for the remainder of this year despite some concern about material and supply shortages.

Eastern Canada

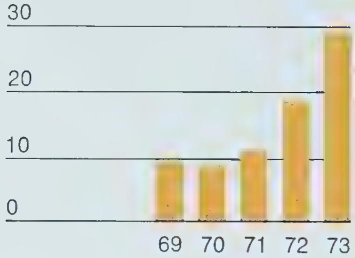
Revenues and earnings which had shown a significant increase in 1972 were higher again in 1973. Working together with other salvors, the company assisted in refloating a number of grounded vessels and was instrumental in preventing a 32,000-ton tanker from sinking in the St. Lawrence River following a collision. The company's pollution control and oil spill clean-up activity continued to expand, offsetting a decline in shipdocking activity in Montreal Harbour.

	1973	1972	1971	1970	1969
		(thousands of dollars)			
REVENUES	**43,504**	32,797	27,545	24,766	12,880
COSTS AND EXPENSES					
Cost of services	**30,037**	21,829	18,749	16,883	7,853
Selling, general and administrative	**2,936**	2,660	2,841	3,108	1,681
Depreciation	**3,170**	2,514	2,343	2,400	1,178
Interest on long-term debt	**1,635**	1,264	1,068	874	403
Other interest	**89**	31	76	126	11
	37,867	28,298	25,077	23,391	11,126
INCOME BEFORE THE FOLLOWING	**5,637**	4,499	2,468	1,375	1,754
Provision for income taxes	**2,550**	1,020	(493)	(183)	847
Minority interest	**260**	1,550	1,479	835	—
Loss on operations of discontinued business, net of income taxes	**—**	258	333	(31)	29
	2,810	2,828	1,319	621	876
INCOME BEFORE EXTRAORDINARY ITEM	**$ 2,827**	$ 1,671	$ 1,149	$ 754	$ 878
EQUITY	**$ 18,710**	$ 10,831	$ 9,788	$ 8,118	$ 7,473
RETURN ON EQUITY	**16.5%**	15.4%	11.7%	9.3%	11.7%

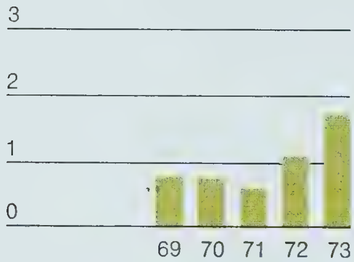
Revenues and expenses for the period from July 1, 1970 to March 31, 1973 of a 50% owned company, accounted for on the equity basis, have been included in the above figures for comparative purposes. Return on equity for 1973 has been determined assuming the 50% owned company had been wholly owned for the full year.

VENTURE CAPITAL AND REAL ESTATE

Revenues
(millions of dollars)



Income Before Extraordinary Item (millions of dollars)



Venture Capital
Among the significant events during the year were the sale of three venture capital investments: Cipher Data Products, Inc., to Computer Machinery Corporation; Duplicon Corporation to A.B. Dick Company; and Terminal Communications, Inc., to United Aircraft Corporation.

In addition to the seven new investments listed below, further investments were made in six existing portfolio companies, bringing the total venture portfolio to 32 companies at year-end.

> *Qume Corporation,* Hayward, California
> Serial printers with high quality type for the word processing and computer terminal industries.
>
> *TMT, Inc.,* Fullerton, California
> Building products, including fireplace equipment and range hoods.
>
> *DynaStor, Inc.,* Denver, Colorado
> Flexible disk storage systems, primarily for minicomputer users.
>
> *Lancet Medical Industries, Inc.,* Portland, Oregon
> Operates regional clinical laboratories providing diagnostic services to the medical profession.
>
> *Data 100 Corporation,* Minneapolis, Minnesota
> High speed remote batch entry systems for large scale computers.
>
> *Teradyne, Inc.,* Boston, Massachusetts
> Testing systems for manufacturing companies, particularly in the semiconductor industry.
>
> *Braegen Corporation,* Sunnyvale, California
> Modular terminal systems for computer installations.

Investments made by the venture capital group are primarily in the equity of innovative new companies. In previous years, investments have been concentrated in high technology companies in the California area. Emphasis has been on helping achieve

Top left — *Technician assembles optical mask aligner at Kasper Instruments Inc., a venture capital investment.*

Top right — *Operator editing text on Videotype word processing unit, manufactured by Lexitron Corporation, another venture capital investment.*

Bottom — *Quality homes built by the company's California housing division.*

strong management for these companies in order to develop profitable, rapidly growing enterprises which can provide Genstar with an attractive return on its investment. Commencing in 1973 investments cover a broader geographic area as well as a broader mix of industries. Total funds invested as of December 31, 1973 were $8,508,000.

Real Estate

The company's California housing division sold 361 homes during 1973, 47 per cent ahead of 1972 sales, despite a shortage of mortgage funds, higher interest rates and a tightening of loan terms during the last half of the year. Mortgage funds are expected to become more plentiful by mid-1974 with a consequent increase in house building activity in the State.

A new duplex development in the Village of Turtle Rock, Irvine, California, progressed on schedule and 51 units had been sold by year end. Property was purchased in San Clemente for a 200-unit single family detached housing development and construction has commenced on a similar 228-unit project in Anaheim Hills and a 118-unit townhouse development in Placentia. A number of "spot lots" were purchased in Tustin, California, for construction of houses in the $80,000 to $120,000 range.

During 1973 the company entered joint ventures to develop and sell "Skyloft", a 98-unit cluster home project in Leucadia, San Diego County, and "Congress Springs", a 29-unit condominium in Saratoga, California.

New shopping centre developments initiated in 1973 included projects in Alameda, Visalia, Roseville, Sacramento, Port Hueneme, and San Jose, California; and Sparks, Nevada. Sales of one or more parcels in eight centres were made during the year.

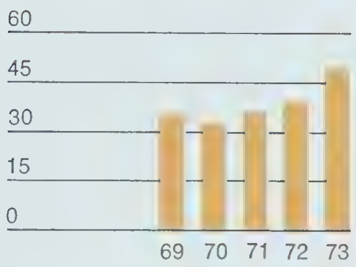
Although new environmental standards have slowed development opportunities in California to some extent, the company enters 1974 with a record backlog of new projects, both residential and commercial, which have received final approvals from the necessary governmental agencies.

	1973	1972	1971	1970	1969
			(thousands of dollars)		
REVENUES	**29,774**	17,818	10,764	9,012	9,523
COSTS AND EXPENSES					
Cost of sales	**22,039**	12,868	7,860	6,221	7,070
Selling, general and administrative	**3,984**	2,352	1,333	1,430	1,034
Depreciation	**163**	119	71	37	32
Interest on long-term debt	**175**	174	227	322	194
Other interest	**443**	266	332	61	41
	26,804	15,779	9,823	8,071	8,371
INCOME BEFORE THE FOLLOWING	**2,970**	2,039	941	941	1,152
Provision for income taxes	**1,281**	798	285	284	378
Minority interest	**26**	78	87	—	—
	1,307	876	372	284	378
INCOME BEFORE EXTRAORDINARY ITEM	**$ 1,663**	$ 1,163	$ 569	$ 657	$ 774
EQUITY	**$ 12,938**	$ 10,980	$ 9,406	$ 6,812	$ 3,834
RETURN ON EQUITY	**12.8%**	10.6%	6.0%	9.6%	20.2%

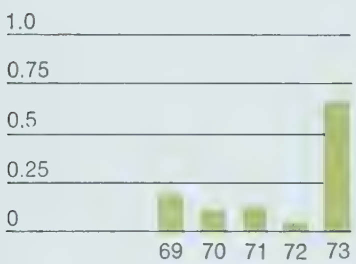
The above figures for 1972 and prior years have been restated to reflect the acquisition in 1973 of a subsidiary accounted for on the pooling of interests basis.

CHEMICALS AND FERTILIZERS

Revenues
(millions of dollars)



Income Before Extraordinary Item (millions of dollars)



World demand for fertilizer materials combined with production curtailments in the U.S. due to energy shortages or economically obsolete plants has created a strong demand for ammonia products and mixed fertilizers. While raw material and labour costs continued to climb, firmer prices and cost efficiencies have resulted in an improving return on investment.

Farm cash income in Canada increased substantially during 1973 resulting in strong demand and shortages in some product lines in the company's market areas. Higher demand for ammonia and derivatives combined with the removal of price controls on fertilizers has allowed prices in the United States to reach more realistic levels.

In November, the company announced the construction of an additional $4 million nitric acid plant at its Maitland, Ontario, chemical and fertilizer production installations. The 500 ton per day world-scale plant is scheduled for start up during the second quarter of 1975 and will raise production capacity to 1,000 tons per day making the company the largest producer of nitric acid in Canada.

The company continues to review its retail fertilizer distribution system in order to expand specialty fertilizer lines and to realign its agricultural fertilizer markets. A reorganization program is also underway involving decentralization of marketing and administrative functions and is aimed at providing more efficient service at the local level.

The company's markets for chemicals and fertilizers, chiefly Ontario, Quebec, the Maritime Provinces and the United States, exhibited considerable strength during 1973 and demand has continued into the early part of 1974.

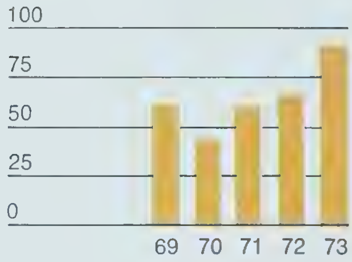
The company sells a broad range of lawn and garden fertilizers.

Firmer prices and strong demand for both fertilizer and chemical products should result in a phased expansion of facilities in North America to avoid the kind of over expansion which has plagued the industry for the past seven years. Increases in food prices have acted as a stimulus to home gardening, resulting in heavier demand for consumer garden fertilizer products in all market areas. The outlook for 1974, under these conditions, is more favourable than it has been over the past several years.

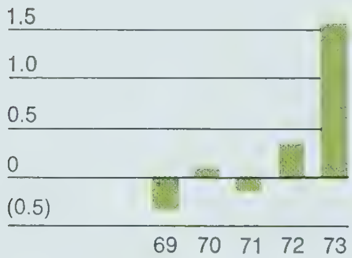
	1973	1972	1971	1970	1969
			(thousands of dollars)		
REVENUES	**47,309**	38,906	36,689	32,931	35,326
COSTS AND EXPENSES					
Cost of sales	**39,114**	31,998	29,630	26,396	28,149
Selling, general and administrative	**4,087**	4,039	3,994	3,493	3,950
Depreciation	**2,166**	2,108	2,098	2,074	2,066
Interest on long-term debt	**474**	620	441	533	675
Other interest	**168**	85	369	224	117
	46,009	38,850	36,532	32,720	34,957
INCOME BEFORE THE FOLLOWING	**1,300**	56	157	211	369
Provision for income taxes	**642**	22	56	115	194
INCOME BEFORE EXTRAORDINARY ITEM	**$ 658**	$ 34	$ 101	$ 96	$ 175
EQUITY	**$ 25,584**	$ 21,948	$ 23,806	$ 25,967	$ 26,471
RETURN ON EQUITY	**2.6%**	0.2%	0.4%	0.4%	0.7%

IMPORT-EXPORT AND INDUSTRIAL PRODUCTS

Revenues
(millions of dollars)



Income Before Extraordinary Item (millions of dollars)



Import-Export

Earnings for this division were the highest on record. In line with the company's stated policy a number of small components of this division were sold during the year.

Imports of non-ferrous metals remained strong throughout the year despite a tightening market, as the company benefited from a substantial backlog of zinc and ferro-nickel bookings. The outlook for 1974 appears favourable based on existing commitments from the principal suppliers and continuing strong market demand.

Steel import sales peaked during the first half of the year and then declined steadily not only as a result of shortages and higher prices in world markets but also as a result of the termination of a sales agency agreement with the company's principal European steel supplier.

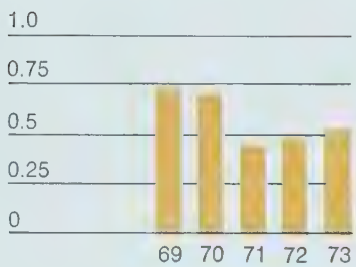
Industrial Products

Steel warehousing operations performed at record levels while the company's fabricating plants in Texas experienced some difficulties in procuring needed materials.

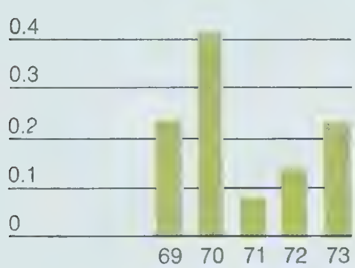
	1973	1972	1971	1970	1969
		(thousands of dollars)			
REVENUES	**89,788**	67,049	60,901	43,557	68,113
COSTS AND EXPENSES					
Cost of sales	**83,682**	62,839	57,509	40,173	64,375
Selling, general and administrative	**2,770**	2,854	2,661	2,301	3,250
Depreciation	**189**	188	138	116	86
Interest on long-term debt	**110**	152	101	405	657
Other interest	**529**	372	487	342	821
	87,280	66,405	60,896	43,337	69,189
INCOME BEFORE THE FOLLOWING	**2,508**	644	5	220	(1,076)
Provision for income taxes	**963**	182	(14)	86	(760)
Loss on operations of discontinued business, net of income taxes	**—**	142	143	47	(2)
	963	324	129	133	(762)
INCOME BEFORE EXTRAORDINARY ITEM	**$ 1,545**	$ 320	$ (124)	$ 87	$ (314)
EQUITY	**$ 5,125**	$ 3,478	$ 2,892	$ 3,016	$ 3,022
RETURN ON EQUITY	**30.1%**	9.2%	(4.3%)	2.8%	(10.4%)

INVESTMENTS

Revenues
(millions of dollars)



Income Before Extraordinary Item (millions of dollars)

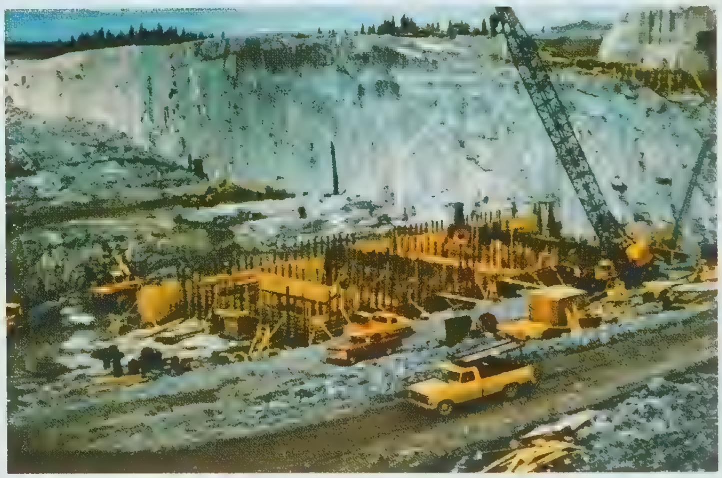


Genstar's primary investment is a 13 per cent interest in the common shares of Fraser Companies, Limited, a major pulp and paper company with operations in Canada and the United States.

Fraser Companies, Limited paid dividends totalling 60 cents per common share during 1973 compared to 10 cents in 1972.

Markets for fine papers, paper board and pulp remained generally strong throughout the year as Fraser plants operated close to capacity. The absence of labour disruptions at Fraser plants, increased consumption of fine papers and favourable price trends in almost all product categories contributed to improved earnings.

	1973	1972	1971	1970	1969
			(thousands of dollars)		
REVENUES	**521**	497	437	705	721
EXPENSES					
General and administrative	**144**	145	139	138	80
Interest on long-term debt	**238**	273	150	186	263
Other interest	**74**	29	120	79	46
	456	447	409	403	389
INCOME BEFORE THE FOLLOWING	**65**	50	28	302	332
Provision for income taxes	**(167)**	(81)	(43)	(108)	94
INCOME BEFORE EXTRAORDINARY ITEM	**$ 232**	$ 131	$ 71	$ 410	$ 238
EQUITY	**$ 11,024**	$ 9,288	$ 10,591	$ 11,606	$ 13,301
RETURN ON EQUITY	**2.1%**	1.4%	0.7%	3.5%	1.8%



Top and lower right — *Construction of hydro-electric power facilities in Northern Manitoba.*

Lower left — *One of many house designs available to company customers in Western Canada.*

GENSTAR LIMITED
INCORPORATED UNDER THE LAWS OF CANADA

CONSOLIDATED STATEMENTS OF INCOME

For the years ended December 31, 1973 and 1972 (thousands of dollars)

	1973	1972
Revenues		
Net sales and services	**509,589**	367,284
Net income of 50% owned companies	**1,086**	1,732
Investment income	**1,119**	775
	511,794	369,791
Costs and Expenses		
Cost of sales and services	**392,518**	281,043
Selling, general and administrative	**38,732**	33,404
Depreciation, depletion and amortization	**20,028**	16,260
Interest on long-term debt	**8,533**	6,031
Other interest	**3,954**	4,072
	463,765	340,810
Income Before the Following	**48,029**	28,981
Provision for income taxes		
Current	**23,500**	13,954
Deferred	**(500)**	(492)
	23,000	13,462
Loss on operations of discontinued businesses, net of income taxes	**—**	400
	23,000	13,862
Income Before Extraordinary Item	**25,029**	15,119
Loss on disposal of discontinued businesses, net of income taxes	**—**	687
Net Income for the Year	**$ 25,029**	$ 14,432

Income per Common Share

		1973	1972	
		Net Income	*Before Extraordinary Item*	*Net Income*
Canadian Method	Basic	**$2.52**	$1.66	$1.58
	Fully diluted	**2.18**	1.40	1.34
United States Method	Primary	**2.51**	1.65	1.57
	Fully diluted	**2.24**	1.43	1.36

See notes to consolidated financial statements

CONSOLIDATED BALANCE SHEETS

As at December 31, 1973 and 1972
(thousands of dollars)

ASSETS

	1973	1972
Current Assets		
Cash and term deposits	**11,253**	5,109
Accounts and notes receivable — trade	**94,179**	78,649
— other	**2,526**	5,072
Inventories	**106,950**	97,036
Prepaid expenses	**1,603**	1,048
	216,511	186,914
Other Assets	**2,220**	2,284
Investments		
Portfolio securities	**19,588**	15,651
50% owned companies	**2,473**	12,432
Subsidiaries not consolidated	**—**	2,001
Revenue properties	**6,317**	9,389
Mortgages and loans	**3,306**	2,990
	31,684	42,463
Fixed Assets		
Properties, plants and equipment	**403,636**	257,638
Accumulated depreciation and depletion	**187,700**	118,210
	215,936	139,428
Intangible Assets arising from acquisitions	**34,951**	35,019
	$501,302	$406,108

Signed on behalf of the Board

Director Picard

Director Angus A. MacNaughton

GENSTAR LIMITED

	1973	1972
LIABILITIES		
Current Liabilities		
Bank advances and acceptances	**31,160**	37,298
Accounts and notes payable — trade	**55,486**	37,053
— other	**5,972**	8,924
Income taxes	**21,195**	14,167
Dividends payable	**2,031**	1,397
Mortgage advances and loans	**17,242**	24,328
Current portion of long-term debt	**17,462**	12,791
	150,548	135,958
Other Liabilities	**4,010**	2,836
Long-Term Debt	**109,086**	103,596
Deferred Income Taxes	**39,055**	27,428
	302,699	269,818
SHAREHOLDERS' EQUITY		
Capital Stock	**146,188**	100,994
Contributed Surplus	**6,967**	6,967
Retained Earnings	**45,448**	28,329
	198,603	136,290
	$501,302	$406,108

See notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

For the years ended December 31, 1973 and 1972 (thousands of dollars)

	1973	1972
Source of Funds		
Income before extraordinary item	**25,029**	15,119
Items not affecting funds —		
Depreciation, depletion and amortization	**20,028**	16,260
Deferred income taxes	**(500)**	(492)
Other	**1,048**	324
Funds from operations	**45,605**	31,211
Sale of —		
Investments	**17,823**	5,348
Fixed assets	**2,136**	3,274
Other assets	**78**	1,638
Issue or assumption of —		
Long-term debt	**43,544**	33,286
Deferred income taxes	**12,127**	—
Capital stock	**45,194**	872
Other liabilities	**913**	558
Reduction of United States income taxes	**233**	25
	167,653	76,212
Application of Funds		
Purchase of —		
Investments	**7,424**	6,855
Fixed assets	**98,226**	11,955
Other assets	**109**	693
Payment or reduction of —		
Long-term debt	**38,087**	15,512
Deferred income taxes	**—**	1,988
Dividends	**8,143**	5,863
Other liabilities	**657**	694
	152,646	43,560
Working Capital		
Increase for the year	**15,007**	32,652
At beginning of year	**50,956**	18,304
At end of year	**$ 65,963**	$ 50,956

See notes to consolidated financial statements

GENSTAR LIMITED

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION
(continued)

	1973	1972
Changes in Elements of Working Capital		
Current Assets — Increase (Decrease)		
Cash and term deposits	**6,144**	(4,941)
Accounts and notes receivable — trade	**15,530**	14,221
— other	**(2,546)**	1,965
Inventories	**9,914**	15,197
Prepaid expenses	**555**	(3)
	29,597	26,439
Current Liabilities — Increase (Decrease)		
Bank advances and acceptances	**(6,138)**	(31,550)
Accounts and notes payable — trade	**18,433**	18,329
— other	**(2,952)**	(2,388)
Income taxes	**7,028**	3,091
Dividends payable	**634**	(529)
Mortgage advances and loans	**(7,086)**	1,016
Current portion of long-term debt	**4,671**	5,818
	14,590	(6,213)
Increase in Working Capital for the Year	**$ 15,007**	$ 32,652

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS
For the years ended December 31, 1973 and 1972 (thousands of dollars)

	1973	1972
Balance — Beginning of Year	**28,329**	19,735
Net income for the year	**25,029**	14,432
Reduction of United States income taxes	**233**	25
	53,591	34,192
Dividends on common shares	**8,143**	5,863
Balance — End of Year	**$ 45,448**	$ 28,329

See notes to consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 1973 and 1972

1. ACCOUNTING POLICIES

Consolidation

The accounts of all subsidiaries, other than subsidiaries which are venture capital investments of a temporary nature, are consolidated either from the date of acquisition on the basis of purchase accounting or retroactively on the basis of pooling of interests accounting.

Foreign Exchange

The accounts in foreign currencies are translated into Canadian dollars at the rates of exchange on the balance sheet dates for current assets and current liabilities, on the date of the transaction for other balance sheet accounts and related depreciation, depletion and amortization and at the average rate for the year for revenues and expenses.

Inventories

Inventories are valued at the lower of cost or net realizable value. Cost is determined principally on the first-in first-out basis except for the cost of real estate and housing inventories which is determined on the specific item basis and includes interest and property taxes incurred on real estate prior to development.

Investments

Portfolio securities, subsidiaries not consolidated and mortgages and loans are valued at the lower of cost or net realizable value. 50% owned companies and revenue properties are carried on the equity basis.

Fixed Assets

Properties, plants and equipment are carried at cost. Expenditures for additions, improvements and renewals are capitalized and expenditures for maintenance and repairs are charged to income. When assets are sold or retired, their cost and accumulated depreciation or depletion are removed from the accounts and any gain or loss resulting from their disposal is included in income.

Depreciation and depletion is provided by annual charges to income calculated on the unit of extraction method for quarries and gravel deposits and principally on the straight-line method for plants and equipment. The estimated useful life of plants and equipment varies from four to forty years, with the composite average life being approximately fifteen years.

Intangible Assets

Intangible assets arising from acquisitions include the excess of purchase price over the net book value of identifiable assets at the date of acquisition for business combinations prior to November 1, 1970 and the excess of purchase price over the net fair value of identifiable assets at the date of acquisition for business combinations subsequent to November 1, 1970.

Amortization of amounts relating to acquisitions subsequent to November 1, 1970 is charged to income on the straight-line basis over forty years. Unamortized amounts are charged to income in the event of diminution in value.

Revenue Recognition

Revenues from the sale of manufactured products and housing units are recognized upon passage of title to the customer which generally coincides with their delivery and acceptance. Revenues from construction are recognized on the percentage of completion basis. Real estate revenues are recognized in the period in which the transaction occurs provided the earning process is complete and collectibility of the proceeds assured, or on the basis of performance or instalment over the periods necessary to complete these requirements.

Income Taxes

Deferred income taxes are provided on items included in the determination of consolidated net income irrespective of the timing of the recognition for tax purposes of such items including principally depreciation, depletion and contract holdbacks. Provisions have not been made for withholding taxes on undistributed earnings of foreign subsidiaries inasmuch as such earnings are being reinvested in foreign operations.

2. BUSINESS COMBINATIONS

The following business combinations have been consolidated from their respective dates of acquisition on the basis of purchase accounting:

Vanisle Tug & Barge Ltd., a company engaged in marine transportation under the name of Seaspan International Ltd. and vessel construction under the name of Vancouver Shipyards Co. Ltd., which was previously 50% owned became a wholly owned subsidiary effective April 1, 1973 pursuant to a share purchase agreement.

Miron Company Ltd., a company engaged in the cement, building materials and construction businesses, was acquired pursuant to an agreement, and exchange offers expiring January 15, 1974. Shares tendered up to the expiry date were included as of December 31, 1973 the effective date of acquisition.

The following business combination has been consolidated retroactively on the basis of pooling of interests accounting:

Broadmoor Homes, Inc. formerly Richard B. Smith, Inc., a company engaged in the housing business, was acquired effective March 31, 1973 pursuant to a share exchange agreement.

The acquisition equation for the above combinations is as follows:

	Vanisle Tug & Barge Ltd.	*Miron Company Ltd.*	*Broadmoor Homes, Inc.*
	(thousands of dollars)		
Net Assets Acquired			
Net tangible assets at the carrying value of the acquired company	11,320	27,965	826
Intangible assets at the carrying value of the acquired company	3,245	1,604	—
Allocation of purchase price to net tangible assets	7,714	(4,055)	—
Allocation of purchase price to intangible assets	(3,245)	(1,604)	—
Minority interest	—	(912)	—
Excess of consideration over net assets combined	—	—	1,174
	$ 19,034	$ 22,998	$ 2,000
Consideration			
Cash	10,265	164	—
Capital stock	—	22,339	2,000
Investments in acquired companies	8,769	495	—
	$ 19,034	$ 22,998	$ 2,000

The consolidated results for 1972 have been restated as detailed in the following reconciliation to give effect to the pooled combination.

	Revenues	Net Income	Funds from Operations	Working Capital
		(thousands of dollars)		
As previously reported	359,130	14,324	31,084	50,931
Pooled combination	10,661	108	127	25
As restated	$369,791	$ 14,432	$ 31,211	$ 50,956

Assuming the purchase combinations had taken place on January 1, 1972 the proforma consolidated results would have been as follows:

		1973	1972
		(thousands of dollars)	
Revenues		$577,909	$448,724
Net income		27,769	17,419
Income per common share			
Canadian Method	Basic	$2.66	$1.76
	Fully diluted	2.19	1.45
United States Method	Primary	2.65	1.75
	Fully diluted	2.25	1.47

The purchase combinations resulted in the inclusion in the consolidated statements of changes in financial position of the following:

	1973
	(thousands of dollars)
Source of Funds	
Sale of investments	9,264
Issue or assumption of —	
Long-term debt	30,423
Deferred income taxes	11,943
Capital stock	22,339
Other liabilities	912
	74,881
Application of Funds	
Purchase of —	
Investments	759
Fixed assets	73,777
	74,536
Increase in Working Capital	$ 345

3. INVENTORIES

	1973	1972
	(thousands of dollars)	
Finished goods	15,873	12,088
Work in process	21,500	24,743
Raw materials and supplies	18,090	17,296
Real estate held for development and sale	44,232	39,369
Maintenance and repair parts	7,255	3,540
	$106,950	$ 97,036

4. INVESTMENTS

Portfolio securities include marketable shares carried at values of $12,370,000 at December 31, 1973 and $11,121,000 at December 31, 1972 which approximate their quoted values. Investments in 50% owned companies are represented by net assets of $2,473,000 at December 31, 1973 and $10,807,000 at December 31, 1972. At December 31, 1972, investments in subsidiaries not consolidated were represented by net assets of $1,480,000.

5. FIXED ASSETS

	1973		1972	
	Cost	*Accumulated Depreciation and Depletion*	*Cost*	*Accumulated Depreciation and Depletion*
	(thousands of dollars)			
Plant sites	13,865	—	8,834	—
Quarries and gravel deposits	23,497	3,707	11,190	2,669
Buildings	70,035	26,599	55,010	18,260
Machinery and equipment	296,239	157,394	182,604	97,281
	$403,636	$187,700	$257,638	$118,210

6. INTANGIBLE ASSETS

Intangible assets arising from acquisitions subsequent to November 1, 1970 amount to $2,657,000. Accumulated amortization thereon amounted to $181,000 at December 31, 1973 and $115,000 at December 31, 1972.

7. BANK ADVANCES AND ACCEPTANCES

Bank lines of credit amounting to $44,600,000 at December 31, 1973 and $28,850,000 at December 31, 1972, secured by pledges of certain accounts receivable and inventories, and unsecured bank lines of credit amounting to $46,487,000 at December 31, 1973 and $41,037,000 at December 31, 1972 were established principally at bank prime rates.

8. LONG-TERM DEBT

	1973		1972	
	Current Portion	*Total*	*Current Portion*	*Total*
	(thousands of dollars)			
5⅞% to 8% First mortgage sinking fund bonds due to 1992	2,997	46,166	1,120	24,612
Term bank loans at prime rate plus 1% to 1¼% due to 1983	5,590	43,215	3,000	30,000
6½% Convertible debentures due in 1992	—	9,091	—	29,867
5% to 8% Debentures due to 1987	629	5,369	670	6,195
6% to 10% Mortgages due to 1997	317	4,040	431	4,786
5% to 10% Notes due to 1986	1,559	8,647	2,212	10,107
Non-interest bearing notes due to 1981	6,370	10,020	5,358	10,820
	$ 17,462	126,548	$ 12,791	116,387
Current portion		17,462		12,791
		$109,086		$103,596

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(continued)

First mortgage bonds in the principal amount of $23,256,000 at December 31, 1973 and non-interest bearing notes in the principal amount of $3,240,000 at December 31, 1973, assumed on the acquisition of subsidiaries, have been shown after deducting $1,653,000 of interest imputed at rates of 8¼ % and 8½ %.

Substantially all properties, plants and equipment and the shares of certain subsidiaries are pledged as security for first mortgage sinking fund bonds, term bank loans and other secured debt. Indentures pertaining to certain debt issues contain restrictive covenants requiring that defined minimum working capital and shareholders' equity positions be maintained upon payment of dividends.

As a result of the purchase of a subsidiary, $1,276,000 at December 31, 1973 and $3,585,000 at December 31, 1972 of non-interest bearing notes are held by a company of which a director is the principal creditor.

The following payments are required in the next five years to meet long-term debt instalments and sinking fund provisions: 1974 - $17,462,000; 1975 - $15,290,000; 1976 - $12,886,000; 1977 - $11,081,000; 1978 - $10,713,000.

9. CAPITAL STOCK

Authorized

5,000,000 preferred shares — par value of $20 each issuable in series of which 457,978 are designated as Series A $1.10 cumulative convertible redeemable, 1,205,970 are designated as Series B $1.20 non-cumulative convertible redeemable and 43,127 are designated as Series C non-dividend bearing convertible redeemable.

15,000,000 common shares — without nominal or par value.

Issued and Fully Paid	1973		1972	
	Shares	*Amount*	*Shares*	*Amount*
	(thousands)			
Preferred shares — Series A	194	3,880	—	—
— Series B	880	17,596	—	—
— Series C	43	863	—	—
Common shares	10,813	123,849	9,176	100,994
		$146,188		$100,994

Common shares are shown after deducting 806,151 shares, at their issue price of $15 per share, which were received as a result of previous shareholdings in companies acquired.

On November 7, 1973 Supplementary Letters Patent were granted subdividing the 2,000,000 authorized but unissued preferred shares of the par value of $50 each into 5,000,000 preferred shares of the par value of $20 each and designating 457,978, 1,205,970 and 43,127 preferred shares as voting Series A, B, and C respectively, redeemable from $20 to $22 each subject to various conditions.

All of the outstanding preferred shares were issued in 1973 at $20 per share in exchange for the shares of a subsidiary. In accordance with the terms of issue, dividend rights commence on January 1, 1974 in respect of Series A and B.

The details of common shares issued and fully paid are as follows:	1973	1972
	(thousands)	
Balance beginning of year as previously reported	9,176	8,963
At $15.00 in exchange for shares of a pooled subsidiary	—	133
Balance as restated	9,176	9,096
At $13.913 and $15.00 on the conversion of long-term debt	1,504	3
At $16.48 in payment of long-term debt	92	—
At $4.05 to $17.15 under the purchase plan and on the exercise of options and warrants	41	77
Balance end of year	10,813	9,176

The following shares are reserved for issuance:	1973	1972
	(thousands)	
Preferred Shares		
At $20.00 for the exchange of shares of a subsidiary	46	—
Common Shares		
At $13.913 and $15.00 for the conversion of debt	653	2,165
At $20.00 for the conversion of preferred shares	1,163	—
At $4.05 to $17.00 for the exercise of options and warrants	459	612
	2,275	2,777

Stock Option Plan

Options have been granted whereby common shares may be purchased by employees at a price equal to 90% of market on the granting date. In addition, options to purchase common shares at prices ranging from $2.53 to $4.05 have been granted in substitution of outstanding employee options of an acquired subsidiary. The details of outstanding options are as follows:

	1973			1972		
	Options held by		Option	Options held by		Option
	Directors & Officers	Others	Price	Directors & Officers	Others	Price
	(thousands)		(dollars)	(thousands)		(dollars)
Beginning of year	27	56	4.05 to 14.75	24	92	3.04 to 14.75
Granted	—	—	—	3	3	13.60
Exercised	—	40	4.05 to 14.75	—	39	3.04 to 12.25
End of year	27	16		27	56	

Stock Purchase Plan

Under the terms of the stock purchase plan, Trustees have purchased at a price equal to 99% of market 114,800 shares for the benefit of employees who are directors or officers and 7,500 shares for the benefit of other employees. Included in other assets are advances of $1,447,000 at December 31, 1973 and $1,556,000 at December 31, 1972 made to the Trustees who hold the shares as security pending receipt of instalment payments from the participants over seven years including interest at 5% per annum.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. INCOME PER COMMON SHARE

The weighted average number of shares used in calculating income per common share is as follows:

	Canadian 1973	Canadian 1972	United States 1973	United States 1972
	(thousands)			
Basic and Primary				
Weighted average common shares	9,921	8,991	9,921	8,991
Shares pertaining to — pooled acquisition	—	133	—	133
— options	—	—	42	50
	9,921	9,124	9,963	9,174
Fully Diluted				
Weighted average common shares	9,921	8,991	9,921	8,991
Shares pertaining to — pooled acquisition	—	133	—	133
— conversion of debt	1,496	2,083	1,496	2,069
— options and warrants	473	397	45	84
	11,890	11,604	11,462	11,277

Net income used in the determination of fully diluted income per common share has been increased by $672,000 in 1973 and $955,000 in 1972 being the after tax effect of interest on debt assumed to be converted. Net income was further adjusted for purposes of calculating Canadian fully diluted income per common share by $202,000 in 1973 and $175,000 in 1972 to give effect to an imputed return of six percent on funds which would have been available on the exercise of options and warrants. Assuming the conversion of debt in 1973 had taken place at the beginning of the year basic and primary income would have been reduced by 16 cents per common share.

11. ADDITIONAL INFORMATION

Retirement Plans

Retirement plans exist under which employees are eligible to participate after varying years of employment and are eligible for benefits at age 65. Contributions to these plans charged to income were $1,230,000 in 1973 and $885,000 in 1972, including the amortization of prior service costs over ten years. Revisions during 1973 to the plans increasing retirement benefits resulted in an actuarially determined additional liability of $2,507,000 at December 31, 1973 which is being funded over a period of seventeen years.

Remuneration of Directors and Officers of the Company	1973 Directors	1973 Officers	1972 Directors	1972 Officers
	(thousands of dollars)			
Paid by — Genstar Limited	57	582	52	528
— BACM Industries Limited	—	59	—	56
— Seaspan International Ltd.	—	56	—	—
	$ 57	$697	$ 52	$584

In 1973 there were 17 directors and 10 officers, 3 of whom were also directors. In 1972 there were 17 directors and 12 officers, 4 of whom were also directors.

Reduction of United States Income Taxes

The reduction credited to retained earnings resulted from the sale of investments acquired at a cost which was less than their tax base.

Proportion of Revenue by Industrial Category	*1973*	*1972*
Building materials, construction, land development and housing	54%	58%
Cement	6%	8%
Marine	7%	1%
Venture capital and real estate	6%	5%
Chemicals and fertilizers	9%	10%
Import-export and industrial products	18%	18%

12. COMMITMENTS AND CONTINGENT LIABILITIES

Various noncancellable lease agreements having an original term extending over one year exist for properties and equipment. Total rental expense relating thereto charged to income was $1,986,000 in 1973 and $1,496,000 in 1972. Minimum annual rentals under these agreements for the following periods amount to: 1974 - $2,186,000; 1975 - $1,682,000; 1976 - $1,318,000; 1977 - $1,040,000; 1978 - $861,000; 1979 to 1983 - $3,770,000; 1984 to 1988 - $1,160,000; 1989 to 1993 - $351,000; 1994 and thereafter - $135,000.

An inquiry under the Combines Investigation Act has commenced in the Canadian gypsum wallboard industry in which the Company has operations. It is not possible at this time to estimate the outcome of this inquiry.

Outstanding commitments relating to the construction of plants and the purchase of equipment amount to $13,715,000 at December 31, 1973. Indebtedness and contract obligations of other companies have been guaranteed up to $1,195,000 at December 31, 1973 and $1,878,000 at December 31, 1972.

AUDITORS' REPORT TO THE SHAREHOLDERS

COOPERS & LYBRAND
CHARTERED ACCOUNTANTS

We have examined the consolidated balance sheets of GENSTAR LIMITED and subsidiaries as at December 31, 1973 and 1972 and the related consolidated statements of income, retained earnings and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of GENSTAR LIMITED and subsidiaries as at December 31, 1973 and 1972 and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Coopers & Lybrand

Chartered Accountants

Montreal, Canada
February 15, 1974

BUILDING MATERIALS
HEAVY CONSTRUCTION
LAND DEVELOPMENT AND HOUSING

BACM Industries Limited

Operations of most divisions are carried out from major centres in the provinces of Manitoba, Saskatchewan, Alberta and British Columbia.

S. SIMKIN
Chairman of the Board and Chief Executive Officer

A. L. SIMKIN, Q.C.
Vice-Chairman and President

B. A. MONKMAN
Senior Vice-President, Concrete Products

I. SIMKIN
Senior Vice-President, Construction Operations

J. L. BODIE
Vice-President, Corporate and Management Services

T. R. DENTON
Vice-President, Administration, and General Counsel

K. C. KINSLEY
Vice-President, Finance

I. SPECTOR
Vice-President, Engineering and Technical Services

A. W. FALK
Vice-President, Precast Concrete Operations

E. M. GUSTAFSON
Vice-President, Housing Operations

V. S. G. LEWIS
Vice-President, Land Development Operations

R. A. ORR
Vice-President, Housing Operations

A. J. SMITH
Vice-President, Gypsum Products Operations

J. J. DENHOLM
Treasurer

L. M. SMORDIN
Secretary and Associate Counsel

Main Office
Winnipeg, Manitoba

BUILDING MATERIALS

Ready-mix concrete, concrete block and pipe, sand, gravel and classified aggregates, gypsum wallboard, precast products.

CONCRETE PRODUCTS

B. A. MONKMAN
Chairman and Chief Executive Officer

J. L. HOLMAN
President, Western Region

N. D. MacRITCHIE
President, Pacific Region

G. K. CRUIKSHANK
Vice-President, Finance

Ocean Construction Supplies Limited — British Columbia

N. D. MacRITCHIE
President

E. J. McCANCE
Vice-President

L. J. CAMPBELL
Treasurer

Consolidated Concrete Limited — Alberta

K. G. EVANS
Vice-President and General Manager, Northern Alberta

Redi-Mix Limited — Saskatchewan

H. F. WARD
President and General Manager

Building Products and Provincial Concrete Division — Manitoba

E. ROSENBLAT
President and General Manager

GYPSUM PRODUCTS

Truroc Gypsum Products Ltd.

A. J. SMITH
President and General Manager

A. J. McLELLAN
Comptroller

PRECAST CONCRETE PRODUCTS

Con-Force Products Ltd.

A. W. FALK
President and General Manager

G. ADAM
Vice-President, Marketing and Engineering

T. J. BARTKIEWICZ
Vice-President, Operations

F. T. McALEER
Vice-President, Finance

H. NASH
Vice-President, Construction

CONSTRUCTION

I. SIMKIN
Chairman and Chief Executive Officer

K. C. KINSLEY
Executive Vice-President

L. J. HERBACH
Controller

HEAVY CONSTRUCTION DIVISION

B.A.C.M. Construction Company
B.A.C.M. Mine Developers Ltd.

D. S. DUNCAN
President

CITY & PROVINCIAL SERVICES

B-A Construction Ltd. — Manitoba

D. G. MULDER
President

R. HANDLER
R. F. MORRIS
G. R. THOMPSON
Vice-Presidents

Mulder Bros. Limited — Manitoba

D. G. MULDER
President

Standard-General Construction Limited
Alberta and British Columbia

R. J. BOON
President

A. J. BORG
O. BABICHUK
W. J. SMITH
Vice-Presidents

LAND DEVELOPMENT AND HOUSING

A. L. SIMKIN, Q.C.
Chairman and Chief Executive Officer

T. R. DENTON
Executive Vice-President

B.A.C.M. Development Corporation Limited

V. S. G. LEWIS
President and General Manager

H. W. McADAMS
Vice-President, Finance and Administration

N. F. BOTHWELL
Vice-President

E. B. BODIE
Vice-President

Engineered Homes Limited

R. A. ORR
Chairman and Chief Executive Officer

C. D. WILSON
President

J. E. WHITAKER
Vice-President, Finance

R. J. COWAN
Vice-President and Manager, Northern Region

G. L. MAGNUSSEN
Vice-President and Manager, Southern Region

P. A. TURNER
Vice-President and Manager, Pacific Region

Keith Construction Company Limited

E. V. KEITH
Chairman of the Board

E. M. GUSTAFSON
President and General Manager

L. H. FRODSHAM
Executive Vice-President

R. J. KIMOFF
Vice-President

L. LUINI
Vice-President, Construction

L. COSMAN
Vice-President, Engineering

B. C. EELES
Treasurer

CEMENT

Inland Cement Industries Limited
Ocean Cement Limited

Normal portland cement, oilwell cement, high early strength cement, masonry cement, sulphate resistant cement and special potash cement.

D. R. B. McARTHUR
Chairman of the Board

W. S. BANNISTER
President and Chief Executive Officer

GEORGE ROSS
Senior Vice-President, Marketing

K. M. BARTLETT
Vice-President, Development

H. B. McEWEN
Vice-President, Production

PAUL WACKO
Vice-President, Sales

R. J. ZIMMEL
Vice-President, Administration, and Secretary

D. M. ABOUSSAFY
Treasurer

Main Office
Edmonton, Alberta

Plants
Edmonton, Alberta; Regina, Saskatchewan; Winnipeg, Manitoba; Bamberton, British Columbia.

Distribution Centres
Calgary, Alberta; Saskatoon, Saskatchewan; Thunder Bay, Ontario; New Westminster, Prince George, Kitimat and Ft. Nelson, British Columbia.

Sales Offices
Edmonton, Calgary, Alberta; Regina, Saskatoon, Saskatchewan; Winnipeg, Manitoba; Thunder Bay, Ontario; Vancouver, Prince George, British Columbia.

Miron Company Ltd.

Normal portland cement, high early strength cement, oilwell cement, white portland cement, masonry cement. Ready-mix concrete, "Add-O-Mix", concrete blocks, bricks and pipe, crushed stone, classified aggregates and sand, bituminous concrete (asphalt) and precast products. Construction services including heavy construction, roads, streets, sidewalks, sewers, paving and excavation.

LOUIS A.-LAPOINTE, Q.C.
Chairman of the Board
and President

ALBERT V. HUDON
Executive Vice-President

CHARLY BINAME
Vice-President, Marketing

JACQUES B. LANGEVIN
Vice-President, Public Relations

JACQUES LEMOINE
Vice-President, Purchasing

YVES PICARD
Vice-President, Construction

GUNNAR O. PORKO
Vice-President, Production

C. WILSON SEALE
Vice-President, Finance, and Secretary-Treasurer

Main Office
Montreal, Quebec

Cement Plant
Montreal, Quebec

Ready-Mix Concrete Plants
Montreal, Tracy, Brossard,
Hull, Quebec; Fallowfield, Ontario

Concrete Block & Pipe Plants
Montreal, Quebec

Pits & Quarry Properties
Montreal, St. Constant, St. Lazare,
Quebec; Fallowfield, Ontario

Cement Distribution Centres
Quebec City, Quebec
Fallowfield, Ottawa, Toronto, Ontario

MARINE

Seaspan International Ltd.

Marine towing, barge transportation and salvage operations in the ports of Vancouver and Victoria, the Pacific coastal waters and the high seas.

JAMES C. F. STEWART
Chairman and Chief Executive Officer

J. R. A. LINDSAY
President

NORRIS MARTIN
Vice-President, Marketing

R. E. TOLHURST
Vice-President, Operations

JOHN F. PEARSON
Vice-President and Secretary-Treasurer

J. S. HEYRMAN
Vice-President, Research & Development

Main Office
North Vancouver, British Columbia

Branch Office
Victoria, British Columbia

Vancouver Shipyards Co. Ltd.

Ship building and ship repairing; syncrolift docking.

JAMES C. F. STEWART
Chairman and Chief Executive Officer

A. M. FOWLIS
President

VICTOR GADSBY
Manager

McAllister Towing Ltd.

Assisting ships in the Port of Montreal; towing, salvage and oil spill clean-up on the St. Lawrence River and Great Lakes.

DONAL G. McALLISTER
President

TREVOR H. CARON
Secretary-Treasurer

Main Office
Montreal, Quebec

VENTURE CAPITAL AND REAL ESTATE

Sutter Hill Limited

Development of shopping centres and residential properties, principally in California.

GREGOR G. PETERSON
Chairman of the Board

JACK R. TAYLOR
President and Chief Executive Officer

DALE R. BLANCHARD
Vice-President and Treasurer

JOHN L. De BENEDETTI
Vice-President

LORRIN C. TARLTON, Jr.
Vice-President

J. RICHARD McMICHAEL
Vice-President

Main Office
Palo Alto, California

Sutter Hill Capital Corporation
Sutter Hill Ventures

Venture Capital investment activities primarily in technology related companies.

WILLIAM H. DRAPER III
President

PAUL M. WYTHES
Vice-President

DAVID L. ANDERSON
Treasurer and Secretary

Main Office
Palo Alto, California

Broadmoor Homes, Inc.

RICHARD B. SMITH
President

GLEN H. BRENGLE
Executive Vice-President

ROLAND F. OSGOOD
Senior Vice-President

Main Office
Tustin, California

First American Title Guaranty Company

Title abstract and escrow services.

GERRY A. VERSSEN
Chairman of the Board

WILLIAM B. MORRISH
President

Main Office
Oakland, California

CHEMICALS AND FERTILIZERS

NUTRITE BULL'S EYE

Brockville Chemical Industries Limited

Industrial chemicals and gases (nitrogen, hydrogen and carbon dioxide), fertilizers and fertilizer materials, including ammonia, ammonium nitrate, urea, nitrogen solutions, nitric acid.

B. T. JOHNSON
Chairman of the Board and
Chief Executive Officer

J. C. CHANTRAINE
Vice-President, Chemical
Production and Development

J. WAYNE AUDETTE
Director of Administration

J. P. RENAHAN
Controller

Main Office
Montreal, Quebec

Chemical Plant
Maitland, Ontario

Fertilizer Regional Offices
Toronto, Ontario; Montreal, Quebec;
Saint John, New Brunswick.

Fertilizer Plants
Hanover, Alliston, Toronto, Welland, Elmira, Cornwall, and Chesterville, Ontario; Montreal, Ste. Foy, Victoriaville, St. Arsene and Ste. Rosalie, Quebec; Saint John and Drummond, New Brunswick; Summerside, Prince Edward Island; Presque Isle, Maine.

IMPORT-EXPORT AND INDUSTRIAL PRODUCTS

Industrial Corporation

General mill representatives and importers specializing in ferrous and non-ferrous products from world suppliers to the United States and the export of domestic United States products.

VICTOR V. SHICK
President

JOHN LEROY
Vice-President

ARTHUR SCOTTO
Treasurer and Assistant Secretary

HOWARD H. BACHRACH
Secretary

Main Office
New York, N.Y.

Markle Steel Company

General mill representatives and steel warehousing and fabricating.

J. B. WILLIAMS
President

Main Office and Warehouse
Houston, Texas

Fabrication Plants
San Antonio, Texas
Odessa, Texas
Amarillo, Texas

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